

September 19 & 23, 2008

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the September 19, 2008 meeting were distributed to Commission members, intervenors and other interested parties August 22 and 25, 2008 and sent to the Secretary of State's Office for posting on September 3, 2008.

Commission Present: Colon Durrell, Richard Cook, John Joseph Jr. and Mark Hedrich, *ex-officio* on September 19 and Chair Michael Wiers, Colon Durrell, Richard Cook, John Joseph Jr. and Mark Hedrich, *ex-officio* on September 23.

Commission Absent: Michael Wiers on September 19

Department Officials: Commissioner Seth Bradstreet III

Staff Present: Tim Drake, Program Coordinator, Audrey Shorty, Resource Administrator (absent on September 19) and Carol Gauthier, Office Associate.

Legal Counsel: Amy Mills

Intervenors Present: John Blake, H.P. Hood, Inc., Tom Brigham Oakhurst Dairy, John Economy Garelick Farms of Maine (Sept. 23) and Julie-Marie Bickford Executive Director, Maine Dairy Industry Association (MDIA).

Others Present: Dale Cole and Fred Hardy from MDIA; Galen Larrabee, dairy farmer; Lisa Bragg from the University of Maine; Robert Wellington from Agri-Mark Cooperative and Ruby Hardy public attendees.

Acting chair Colon Durrell called a public hearing to order to see if any written comments had been received on Chapter 2 Hearing Procedures at 1:30 pm.

Julie-Marie Bickford supported the proposal to repeal this chapter and pointed out that the intervenor section was already replaced by the notices that are sent to interested parties.

No written testimony was received.

John Joseph moved to repeal Chapter 2, Richard cook seconded the motion. The motion passed 3-0.

Acting chair Colon Durrell closed the hearing and opened the regular meeting at 1:40 pm.

Agenda Item 1: Minutes: John Joseph made a motion to accept the minutes of the August 22, 2008 meeting. Richard Cook seconded. Motion passed 3-0.

Agenda Item 2: Amy Mills, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: Tim Drake reported that the Federal Order Class I price had not been released due to court action to halt the new make allowance for Class III and IV milk, and that the new price would be released on Tuesday September 23. He went on to list two options the Commission

had in light of this, option one would be to do nothing and let last month's prices stand and option two would be to recess the meeting and reconvene on the 23rd after the new Class I price is released. Dale Cole asked what the make allowance was based on. Bob Wellington explained the process of setting prices and that the make allowance was to help processors recoup their increased cost, he also explained the details of the court case involved. Amy Mills then explained Title 7 subsection 2954 as it pertains to setting prices using only official figures released by the USDA. The Commission scheduled to reconvene at 4 P.M. on Tuesday September 23. Bob Wellington informed the Commission that there were no changes in the premiums being paid and that prices were volatile with the world markets staying volatile also. John Blake reported that cheese prices were strong and Bob Wellington agreed. Tom Brigham asked the Commission to delay the price changes by one week to allow time for the new prices to be implemented after Tuesday's meeting. Julie Marie Bickford asked if the current prices stayed in effect in the interim. Tim Drake replied that the current prices were in effect until replaced whenever that was.

On Tuesday, September 23, Chairman Michael Wiers reconvened the meeting at 4 P.M.

Tim Drake reported that there is a prevailing premium of \$1.10/cwt on Class I for October 2008 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.43/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect. Federal Order One Class I price for October is \$18.78. He explained that a schedule was prepared using this information plus a producer cost of production adjustment (COPA) of \$1.35/cwt. He stated that this price schedule was for information purposes and that the Commission was not bound to it, and should make their pricing determination after hearing testimony.

Julie Marie Bickford of MDIA gave out a handout which dealt with the milk-feed ratio she also told about how high feed and fuel costs were hurting dairy farmers. She also detailed how grain companies were getting hurt as many had high accounts receivable from customers and some farmers had been put on a 30 day turnaround on payments. She went on to say that \$2.12/cwt was a big drop in one month for the farmers to absorb on top of the reduced rBst premiums.

Dale Cole thought it was interesting that the Co-ops were not there to answer questions about the reduced premiums. He referred to the retail store milk price survey in the informational packet that showed that the major retailers in Maine had not reduced their retail mark-up last month when the minimum prices were reduced by the Commission. He said the pricing structure is out of step and that supermarkets were using their milk pricing structures to increase their profits.

Chairman Wiers stated that there was a limit to what the commission could do to make the producers whole.

Colon Durrell asked how dairy farms in Maine were being hurt by milk being brought into Maine by Cumberland Farms.

John Economy stated that milk does stay in Maine when it can but that some milk was being diverted out of state and this was not advantageous to Maine producers. He also stated that some retailers were using RFP's to service their whole accounts.

Richard Cook asked what could be done and where the producer margin was now. He was informed that it was at \$1.35/cwt at present.

Colon Durrell stated that at one time \$1.16/cwt was the tipping point where milk would be brought in from outside Maine and now we were at \$1.35/cwt.

Julie Marie Bickford stated that the \$1.16/cwt tipping point was anecdotal and not factual.

Chairman Wiers said that he understood that farmers were being hurt but doesn't think that the Commission was the place to level the playing field and was reluctant to move the producer margin higher.

Tom Brigham said that he appreciated Chairman Wiers comments and hoped that the Commission held the producer margin steady and to wait and see what the market place did.

John Economy agreed with Mr. Brigham while admitting that his plant had taken a hit and that everyone was looking for a business advantage.

Dale Cole stated that he also did not want to lose a plant in Maine but wanted to go on record that the current pricing structure was a disaster. He went on to say that a reduction in prices paid to farmers meant an increase of profits by retailers.

John Blake stated that milk outside of Maine would go down in price by over \$2.00/cwt and that there was another chain in Maine looking into doing the same as Cumberland Farms.

Colon Durrell said that he felt that someone should inform the public that milk sold at Cumberland Farms was not Maine milk.

Dale said that he felt that would be MDIA's job and that they had been discussing that.

Julie Marie Bickford stated that they were hesitant to do this as they felt that this might discourage overall milk consumption. She also said that explaining the milk pricing structure to the public was a difficult undertaking.

John Joseph moved to adopt the price schedule #10-08 with the producer margin at \$1.35. Colon Durrell seconded this motion.

Motion passed 4-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for September 2008 which included prices for Augusta, Bangor, Auburn and Brunswick and the IAMCA price survey for August.

Agenda Item 5: Next Scheduled Meetings:

- October 17, 2008 Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

- November 21, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- December 19, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- January 23, 2009, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed the latest budget summary.
2. **Cost of Production Study:** Lisa Bragg offered an overview of where she is in this study and provided a handout that included some preliminary information.
3. **Milk Promotions:** Tim Drake outlined for the Commission two milk promotions being offered by Kellogg's one gives a free gallon of milk , any brand, up to \$4.50, with the purchase of one box of Kellogg's Frosted Flakes. This promotion will be offered at BJ's Wholesale Clubs for two weeks in February 2009. The second gives a free gallon of milk non-brand specific with the purchase of any four Kellogg's products. This promotion will run one week in November 2008. Tom Brigham asserted that this was brand specific as BJ's does not offer all brands of milk. John Blake stated that he believed that this was OK as they did not take below the minimum prices. After some discussion, the Commission determined the offers to be consistent with Commission policy.
4. **Dealer Cost and Accounting System:** Nothing to report.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: Recessed at 2:30 pm September 19, and adjourned at 4:35 p.m. September 23.

Tim Drake, Maine Milk Commission